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**SECOND QUARTERLY OUTLOOK FOR WORLD
MEAT PRODUCTION AND TRADE ^{1/} IN 1980 .**

Total meat production by the major importing countries is expected to increase to record levels in 1980. Pork and poultry production are expected to increase about 4 percent from the 1979 level, while mutton and lamb expands about 2 percent. Beef and veal output may decline about 1 percent.

With total meat production generally up in the major importing countries, net imports of all meat are expected to decline. World trade in beef and veal is expected to increase slightly in 1980, largely due to increased purchases by the USSR and Brazil. Most other countries are expected to change only marginally, while Korea and Israel will probably reduce purchases substantially. Of the exporting areas, only Central America and Uruguay are expected to have more beef and veal available for export in 1980.

Lamb and mutton supplies are expected to be slightly more plentiful on the world market, but trade is not expected to increase. Pork trade is expected to decline substantially, with lower prices anticipated on the world market in view of increased supplies. Poultry trade will probably decline, but not as much as pork.

Beef and veal imports by the U.S., the world's largest importer, are now expected to drop below last year's level; previous forecasts had predicted a slight increase.

^{1/} Unless otherwise indicated, red meat trade is in terms of carcass weight (bone-in) equivalents; poultry trade is on a product weight basis.

Major Importers

United States

Commercial red meat production in the United States during the first two months of 1980 increased 7 percent above last year--as record hog slaughter more than offset lagging beef output. With poultry slaughter also running at record levels, heavy meat supplies forced prices downward, especially in late March and early April. As incomes fail to rise as fast as the general price level, consumers are shopping for less expensive foods, further depressing prices of more expensive cuts of meat. Year-to-year increases in meat production are expected to slow during the remainder of this year, resulting in some strengthening in prices.

Cattle feeders have been hard hit by lower fed cattle prices, especially since interest rates are at record high levels. Squeezed between costs and prices, feeders cutback February cattle placements by 8 percent from February 1979; March 1 cattle-on-feed totals were the lowest for that date since 1975.

The weak price situation has also spread to the market for imported beef: the New York price for imported beef fell from \$1.43 at the beginning of the year to \$1.11 in early April. These less attractive prices--coupled with problems in supplying countries (drought in Australia, pesticide problems in some areas of Latin America)--have lowered USDA's estimate of unrestrained meat imports subject to the Meat Import Act from 1,650 million pounds (January 1 estimate) to 1,571 million pounds (April 1 estimate), product-weight basis. Under the revised formula of the Meat Import Act, the trigger level for the imposition of import quotas in 1980 is 1,668 million pounds. Consequently, beef imports subject to the Act will continue to enter the U.S. without restrictions.

In late February the National Cattlemen's Association asked the International Trade Commission (ITC) to withdraw the Association's countervailing duty complaint against beef from the European Community. This request was made in order to open the way for the U.S.-EC beef agreement reached during the just completed Multilateral Trade Negotiations. Under the Agreement, the EC can ship 5,000 MT of subsidized beef to the U.S.; in exchange the U.S. will ship the EC 10,000 MT of high-quality beef which will be subject only to a 20 percent ad valorem duty. The ITC granted the Cattlemen's request on March 18, thus removing the last barrier on the U.S. side of the agreement; the EC Commission is expected to open the way for U.S. beef shipments in the near future.

European Community

Meat production in the EC is projected to increase approximately 1 percent in 1980, with all categories of meat, except beef, showing gains over last year's level. Beef production, which is relatively

insulated against the factors affecting world beef production and trade by the EC's Common Agricultural Policy, is forecast to decrease slightly by 0.9 percent this year. EC intervention stocks at the beginning of March totalled 247,000 tons, product weight, which is 41,000 tons less than at the beginning of February.

EC pork production is expected to increase around 1.5 percent this year, after showing a 4.6 percent gain in 1979. Poultry meat production is forecast to increase a little over 2 percent, continuing its upward trend since 1975.

Canada

Canada's meat situation is similar to the U.S. pattern: beef output is near the bottom of the production cycle, while pork supplies are at record highs. (The counter balancing of beef and pork supplies was especially noticeable in December 1979, when--perhaps for the first time in Canadian history--pork production actually exceeded beef output.)

The rebuilding phase of the cattle herd is already underway: January 1 inventories of all cattle were up 1 percent, and the cow and heifer inventory was up slightly. With the cow retention rate holding at a high level, beef production in 1980 will be about 4 to 5 percent below last year. Since Canada's 1980 beef import quota (171.7 million pounds) is unlikely to be filled, this year's beef consumption will be at the lowest level since the early 70's. Prospects for Canadian cattlemen are better than those of their U.S. neighbors, since Canadian feeding operations are smaller and are often tied to cow-calf operations. Since purchases are smaller, interest rates and other input costs should have a lesser impact on Canadian production.

Pork production is expected to jump another 5 percent in 1980 to a new record level. Although beginning year total pig inventories were up 14 percent over 1979, last year's downturn in prices (from \$77 per cwt in February 1979 to \$56 per cwt in November 1979) should trim down farrowings by mid-1980. Although Canada was a net exporter of pork in 1978 and 1979, trade prospects are poorer this year, since Canada's two major markets--the U.S. and Japan--are struggling with large pork supplies.

Japan

Beef imports are expected to grow in 1980, but not repeat the 20 percent jump seen in 1979. The magnitude of the rise will depend on economic conditions, on competition from the current abundant pork supplies, and on the degree to which beef stocks are drawn down. Domestic beef production is forecast at 400,000 tons, slightly less than in 1979. These conditions plus growing consumption, may result in the highest level of beef imports since the 1973 record.

Part of the anticipated increase should be for high-quality beef, for which the United States is almost the sole supplier. The market shares of total beef imports held by Australia and the United States in 1979 (75 and 17 percent respectively) should remain about the same in 1980.

After rising 25 percent in 1979, Japanese pork imports in 1980 are forecast to decline about 30 percent to around 130,000 tons. Pork production continues in a transition phase as high production and imports in late 1979 forced stocks up and prices down. To combat this, the government supported the holding of stocks, and convinced farm organizations to call for the reduction of breeding herds. At the same time, domestic pork producers convinced meat processors and importers to store imported pork and to delay import contracts until about April. Thus, assuming consumption growths similar to previous years, imports should be slow at the beginning of the year, but strengthen in the second half. Production increases are expected to slow through the year, with stocks falling.

The large supplies of pork are causing some pressure on poultry sales, but both poultry meat production and imports are still expected to increase about 5 and 10 percent, respectively, in 1980. Mutton imports will continue the downward trend of recent years but the pace of decline is likely to moderate.

USSR

Official Soviet figures put USSR meat production for 1979 at 15.5 million tons (slaughter weight, including fats and offals), the same level as 1978. For 1980, it is still too early to determine how the Soviets will cope with the tight feed situation resulting from poor 1979 grain and forage crops, and with the potential effects of U.S. trade restrictions. One effect is that 1980 USSR meat imports are expected to be substantially higher than in 1979.

The production of meat (on live-weight basis) on Soviet state and collective farms during January and February 1980 was 13 percent above the corresponding period in 1979. Included in this figure were beef and pork increases of 13 and 10 percent, while poultry production went up 16 percent. It should be noted, however, that meat production in the first two months of 1979 showed a decrease from 1978.

Inventories of cattle, poultry, and sheep and goats on Soviet collective and state farms as of March 1, 1980, all showed increases over their levels on January 1, 1980, as well as over March 1, 1979, levels. Cattle inventories reached 89.6 million head as of March 1, 1980, while poultry went up to 606 million head and inventories of sheep and goats increased to 126.5 million head. However, hog numbers on collective and state farms decreased during January and February 1980 to 54.3 million head, a lower level than on March 1, 1979. Average slaughter weights of both cattle and hogs were lower for January-February 1980 than for the same period in 1979.

It appears that hogs are bearing the brunt of any inventory reductions, having shown a January decrease in inventory level for the first time since 1976 and the first February reduction since 1975. Cattle inventories seem to be less affected by the feed shortages. February inventory building, although smaller than average, indicates that poultry flocks are receiving some preference in access to available feed supplies.

The critical time for adjustments in livestock and poultry inventory levels should be from April until the winter grain crop becomes available in June. During this period the U.S. trade suspension may seriously aggravate an already tight feed situation and thus force sharper inventory adjustments, with the accompanying temporary increases in meat production.

Eastern Europe

Meat production in the 7 countries of Eastern Europe (including Romania) reached 10.9 million tons (carcass weight) in 1979. Further increases are expected in 1980 as pork production rises about 4 percent. A slight increase in beef production is expected with total meat production being 3 to 4 percent above the 1979 level.

Brazil

Cattlemen are continuing to rebuild their herds in response to very favorable market prices. Because of these price conditions, 1979 cattle numbers increased to 93 million head, with an additional 3 million forecast for 1980.

Bovine slaughter is forecast to drop approximately 3 percent in 1980 from the estimated 10.65 million head slaughtered in 1979. Correspondingly, beef production is forecast to fall from 2.10 million tons to 2.05 million tons. This level of production should keep beef prices high this year, causing consumers to continue to switch to poultry and pork. Slaughter of pork may increase about 12 percent as Brazil recovers from the after effects of the 1978 African Swine Fever outbreak.

Exports of beef for 1980 are expected to total roughly 130,000 tons, equaling the 1979 level. Import projections for beef for 1980 are roughly 150,000 tons, up from 105,000 tons in 1979; however, these figures could vary substantially because of worldwide prices and availability. In the past, Brazil's beef imports have come mostly under special arrangements from Argentina and Uruguay.

The ban on pork exports imposed by the Government of Brazil after the African Swine Fever outbreak in 1978 is still in effect. Pork exports for 1980 are projected to be zero as there is no indication that the ban will be lifted this year.

Australia

Beef and veal production in 1980 is expected to decline 13 percent from the 1979 level. If current low prices for imported manufacturing beef in the United States persist, producers may withhold cattle from the market. Exports to the United States through the end of March were already running 23 percent behind the 1979 level. Earlier Australian industry estimates of 400,000 tons of beef exports to the United States (product-weight basis) in 1980 have been reduced to the 350,000-390,000 ton range.

Extremely dry conditions over wide areas of Australia, particularly New South Wales, have resulted in cattle going to slaughter in reduced conditions in recent weeks. Should the situation develop into a full-fledged drought, the reduced production estimate could be reversed, with increased slaughter numbers more than offsetting reduced slaughter weights. Higher slaughter would increase beef exports to both the U.S. and to Australia's other markets.

New Zealand

Excellent pasture conditions have resulted in large numbers of sheep and cattle being held back from slaughter. Beef production, however, is still expected to be down 3 to 5 percent from the 1979 level. Sheep numbers and slaughter weights continue to support a predicted 7 to 10 percent increase in lamb meat production, though producer's intentions in regard to retaining ewe lambs to build up their flocks remain uncertain.

New Zealand's beef exports to the United States through the end of March were about 25 percent behind the 1979 export level. The outlook for lamb sales abroad appears favorable, but vulnerable to political developments affecting exports to Iran.

Central America and Hispaniola

For the Central American region, cattle inventory, slaughter, and beef exports are all expected to be higher in 1980 than in 1979. However, with export prices lower than earlier anticipated, some cattlemen may prefer to withhold cattle from the market. An increased export potential of more than 15 million pounds over the 1979 level still remains for the area, and imports into the U.S. are continuing at about the 1979 level. Nevertheless, with herd size expected to increase about 3 percent, slaughter may also be up by a like amount.

In Nicaragua, a slight reduction in cattle numbers is expected in 1980, since a large reduction in dairy cows may not entirely offset an increase in beef cows. Total cattle slaughter is estimated

just short of 400,000 head.

The cattle herd in Guatemala is projected to increase 5 percent during 1980, but some of this herd may have problems getting to market: twenty percent of the herd is located in the Peten area, which is isolated from the national market by overland transportation problems. El Salvador's beef exports to the U.S., which have been running slightly ahead of last year's rate, have been suspended by U.S. inspectors following pesticide residue problems. However, beef imports are now appearing from the Dominican Republic which earlier in the year had imposed an export ban. Imports from Panama have been running at a higher rate than previously expected; however, the rate will probably not continue as Panama's beef and veal is expected to move to the Canal Zone.

Mexico

The livestock and meat sectors continue as an area of great concern to officials in the Mexican Government. Meat shortages, which have troubled the Mexico City area during the past year, have been blamed on live cattle exports. Since the start of the cattle quota year on September 1, 1979, the Government has permitted only 411,000 head of the 519,000 head quota level to be exported to the United States.

Meat exports to the U.S., which amounted to about 62 million pounds, in 1978, reached only 5 million pounds in 1979 when the Mexican Government placed restrictions on meat exports. Although no shipments have been made so far this year, Mexico maintains its interest in exports and may try to reestablish this trade, even at reduced levels, as soon as possible.

Argentina

The cattle herd liquidation finally came to an end in the latter half of 1979. The slaughter rate is expected to be down about 5 percent in 1980, but meat production will be off less, as cattle are expected to be heavier in 1980 (better finished steers, will replace cows and younger animals at markets). Cattle prices are expected to remain relatively favorable. Consumption is forecast to remain near the 1979 level of 2.39 million tons. Beef prices will likely remain high and little improvement is expected in real income.

Beef exports are forecast at 575,000 tons--18 percent below the 1979 volume. The reduction in exports is a result of lower supplies and the Argentine Government's exchange rate policy, which discourages exports. Brazil and the USSR are expected to continue as the largest purchasers of Argentine beef.

Uruguay

Cattle slaughter in 1979 was 22 percent below the 1978 kill of 1.69 million head. The 1979 slaughter rate--the lowest since 1973--indicates a period of stock rebuilding, as ranchers respond to the Government's return to a free market pricing system. As a result of

relatively high beef prices throughout most of the year, per capita consumption for 1979 was probably about 67 kilos, compared to 86 kilos in 1978. High domestic prices also reduced export demand in 1979 as domestic steer prices were above export quotes.

Cattle retention is unlikely to continue at its present rate throughout 1980, since the carrying capacity of pastures is nearing its limits under present grazing conditions. Total slaughter is projected to increase to, about 1.5 million head, up around 17 percent from the 1979 level. Based on slaughter, beef production in 1980 is forecast to increase to about 306,000 tons. Beef exports are forecast at 106,000 tons, with Brazil expected to continue as the largest importer.

This circular was prepared by the Dairy, Livestock, and Poultry Division, CP/FAS. For further information, write the Division or contact Lloyd Fleck at (202) 447-7198.

TABLE 1--BEEF AND VEAL: IMPORTS BY SELECTED COUNTRIES,
1977-80 (CARCASS WEIGHT EQUIVALENT)

Country	1977	1978	Estimated 1979	Forecast 1980 1/	Percent Changes 1980/79
:----- (In thousands of metric tons) -----					
United States	890	1,053	1,103	1,052	- 5
EC 2/	463	475	450	475	6
Eastern Europe 3/	175	133	128	122	- 5
Canada	89	102	80	80	0
Japan	121	143	185	193	4
Spain	50	73	65	65	0
Greece	92	120	115	110	- 4
USSR	342	56	145	235	62
Brazil	35	118	105	150	43
Korea, Republic of	8	55	52	44	-15
Israel	30	37	44	36	-12
Egypt	40	100	100	105	5
Other countries	1,332	1,188	1,208	1,180	- 2
Total					

1/ FAS forecasts. 2/ Excludes intra-trade. 3/ Excludes Romania and Albania.

Source: Reports of U.S. Agricultural Attaches and related information.

TABLE 2--MEAT PRODUCTION IN MAJOR IMPORTING AREAS, 1977-80
CARCASS WEIGHT EQUIVALENT

Commodity and Country	1977	1978	Estimated 1979	Forecast 1980 1/	Percent Changes 1980/79
(In thousands of metric tons)					
Beef and Veal:					
United States	11,845	11,283	9,925	9,738	- 2
Canada	1,143	1,060	955	910	- 5
EC	6,398	6,419	6,726	6,708	- 1
Japan	361	403	402	400	- 1
Total	19,747	19,165	18,008	17,756	- 1
Pork:					
United States	6,009	6,075	7,008	7,521	7
Canada	539	620	745	785	5
EC	8,152	8,601	9,000	9,133	1
Japan	1,169	1,284	1,429	1,520	6
Total	15,869	16,580	18,182	18,959	4
Mutton and Lamb:					
United States	159	140	133	134	1
Canada	5	4	4	5	25
EC 2/	516	535	533	546	2
Japan 3/	3/	3/	3/	3/	3/
Total	680	679	669	685	2
Poultry: 4/					
United States	5,535	5,895	6,507	6,828	5
Canada	461	484	539	523	- 3
EC	3,464	3,591	3,734	3,817	2
Japan	923	1,027	1,108	1,161	5
Total	10,383	10,997	11,888	12,329	4
Total meat:					
United States	23,548	23,393	23,572	24,221	3
Canada	2,148	2,168	2,243	2,223	- 1
EC	18,530	19,146	19,993	20,204	1
Japan	2,453	2,714	2,939	3,081	5
Total	46,679	47,421	48,747	49,729	2

1/ FAS forecast. 2/ May include some goat meat. 3/ Less than 500 tons.

4/ Product weight basis.

SOURCE: Reports of U.S. Agricultural Attaches and related information.

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TABLE 3--NET MEAT IMPORTS IN MAJOR IMPORTING AREAS, 1977-80
(CARCASS WEIGHT EQUIVALENT)

Commodity and Country	1977	1978	Estimated	Forecast	Percent Changes
			1979	1980 1/	1980/79
----- (In thousands of metric tons) -----					
Beef and veal:					
United States.....	844	981	1,027	959	- 7
Canada.....	38	57	25	22	-12
EC 2/.....	318	310	220	270	23
Japan.....	110	131	172	178	4
Total	1,310	1,479	1,444	1,429	- 1
Pork:					
United States.....	66	97	97	90	- 7
Canada.....	46	- 2	-45	-35	22
EC 2/.....	-82	-20	-40	-40	0
Japan.....	134	145	184	129	-30
Total	164	220	196	144	-27
Mutton and lamb:					
United States.....	8	17	20	21	5
Canada.....	14	17	19	22	10
EC 2/.....	251	260	257	257	0
Japan.....	296	278	235	230	- 2
Total	569	572	531	530	0
Poultry: 3/					
United States.....	-189	-194	-228	-222	3
Canada.....	25	28	34	25	-26
EC 2/.....	-155	-126	-194	-207	- 7
Japan.....	45	59	70	75	7
Total.....	-274	-233	-318	-329	- 3
Total meat:					
United States.....	729	901	916	848	- 2
Canada.....	123	100	33	34	5
EC 2/.....	332	424	243	280	16
Japan.....	585	613	661	612	- 7
Total	1,769	2,038	1,853	1,774	- 4

1/ FAS forecasts. 2/ Excludes intra-trade. 3/ Product weight basis.

SOURCE: Reports of U.S. Agricultural Attaches and related information.

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Commodity Programs, FAS, USDA

TABLE 4--PRODUCTION AND EXPORTS OF BEEF AND VEAL BY MAJOR EXPORTING COUNTRIES, 1977-80 (CARCASS WEIGHT EQUIVALENT)

Item	Estimated				Forecast	Percent
	1977	1978	1979	1980	1/	Changes
	2	3	4	5	6	7
----- (In thousands of metric tons) -----						
Production:						
P.L. 88-482 countries:2/						
Australia.....	2,149	2,134	1,808	1,570		-13
New Zealand 3/.....	558	549	491	475		-3
Central America 4/....	383	425	438	463		6
Mexico.....	974	1,054	1,037	1,037		0
Subtotal.....	4,064	4,162	3,774	3,545		-6
Other:						
Argentina.....	2,914	3,193	3,085	2,950		-4
Uruguay.....	363	354	261	306		17
Subtotal.....	3,277	3,547	3,346	3,256		-3
Total.....	7,341	7,709	7,120	6,801		-4
Exports:						
P.L. 88-482 countries:2/						
Australia.....	1,061	1,130	1,050	950		-10
New Zealand 3/.....	384	346	343	304		-11
Central America 4/....	127	152	176	181		3
Mexico.....	45	45	6	25		317
Subtotal.....	1,617	1,673	1,575	1,460		-7
Other:						
Argentina.....	583	740	699	575		-18
Uruguay.....	129	112	77	105		36
Subtotal.....	712	852	776	680		-13
Total.....	2,329	2,525	2,351	2,140		-9

1/ FAS forecasts. 2/ Excludes Canada and Ireland. 3/ Year ending September.

4/ Includes Haiti and Dominican Republic, excludes Belize.

SOURCE: Reports of U.S. Agricultural Attaches and related information.

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TABLE 5--PRODUCTION AND EXPORTS OF MUTTON AND LAMB BY MAJOR EXPORTING COUNTRIES, 1977-80 (CARCASS WEIGHT EQUIVALENT)

Country	1977	1978	Estimate	Forecast	Changes	Percent
	1977	1978	1979	1980 <u>1/</u>	1980/79	
	(In thousands of metric tons)					
Production:						
Australia.....	538	492	527	533		1
New Zealand <u>2/</u> <u>3/</u> ...	498	498	503	540		7
Argentina.....	132	130	130	130		--
Total.....	1,168	1,120	1,160	1,203		4
Exports:						
Australia.....	272	245	235	253		8
New Zealand <u>2/</u>	406	378	436	440		1
Argentina.....	42	38	36	35		-3
Total.....	720	661	707	728		3

1/ FAS forecasts. 2/ Year ending September. 3/ May include some goat meat.

SOURCE: Reports of U.S. Agricultural Attaches and related information.

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